

HOOSIER BUSINESS INVESTMENT TAX CREDIT*

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History:

The Indiana Legislature recently passed legislation that creates a Hoosier Business Investment Tax Credit for qualified capital investments made in the state of Indiana. This new tax credit is available approval after the legislation's effective date of July 1, 2003. Qualified investments may be made only during taxable years beginning on or after January 1, 2004, and ending on or before December 31, 2007.

Statutory Reference:

The statutory cite for the Hoosier Business Tax Credit Program is found at Indiana Code 6-3.1-26 (the "Hoosier Business Investment Tax Credit Statute"). The statute's effective date is July 1, 2003.

Eligibility:

Investments that may qualify for the Hoosier Business Tax Credit consist of:

1. Purchases of equipment for:
 - a). Telecommunications;
 - b). Production;
 - c). Manufacturing;
 - d). Fabrication;
 - e). Assembly;
 - f). Extraction;
 - g). Mining; and,
 - h). Processing;
2. New computers and related equipment;
3. Costs associated with modernization of existing equipment used for:
 - a). Telecommunications;
 - b). Production;
 - c). Manufacturing;
 - d). Fabrication;
 - e). Assembly;
 - f). Extraction;
 - g). Mining;
 - h). Processing;
 - i). Refining; or,
 - j). Finishing facilities;
4. Onsite infrastructure improvements;
5. Construction of facilities used for:
 - a). Telecommunications;
 - b). Production;
 - c). Manufacturing;
 - d). Fabrication;

- e). Assembly;
- f). Extraction;
- g). Mining;
- h). Processing;
- i). Refining; or,
- j). Finishing facilities;
- 6. Costs associated with retooling existing machinery and equipment; and,
- 7. Costs associated with the construction of special purpose buildings and foundations for use in the computer, software, biological sciences, or telecommunications industry.

Hoosier Business Tax Credit Award Process:

After the July 1, 2003 effective date, a person or business that proposes a project to create new jobs or increase wage levels in Indiana may apply to the existing Indiana Economic Development for a Growing Economy ("EDGE") board for approval of an award of the Credit prior to the investment. The EDGE board may approve Credit awards only for investments made during taxable years beginning on or after January 1, 2004, and ending on or before December 31, 2005.

The EDGE board will consider the following factors in its review of Hoosier Business Tax Credit applications:

- 1. The amount of the investment;
- 2. The applicant's business activities in Indiana, which must have been conducted in Indiana for at least one year prior to the submittal of the Hoosier Business Tax Credit application;
- 3. The economic soundness of the proposed project;
- 4. The role of the award of the Credit in the applicant's decision to move forward with the project;
- 5. The positive fiscal impact to the state resulting from the project; and,
- 6. The average wage that will be paid by the applicant at the project location, which must equal or exceed 150% of the hourly minimum wage established under state laws.

Applications may be obtained from the Indiana Department of Commerce at:

Indiana Department of Commerce
Development Finance Office - Hoosier Business Investment Tax Credit
One North Capital, Suite 700
Indianapolis, Indiana 46204

Completed applications should be submitted to the IDOC address above. Applications are reviewed by IDOC staff members in order to identify deficiencies or other matters that must be clarified prior to an EDGE board review.

Calculation of the Hoosier Business Investment Tax Credit:

The Credit equals 30% of the amount of the qualified investment. The amount of the available Credit is limited, however, each taxable year to

the lesser of:

- a). The qualified investment amount invested in the taxable year multiplied by 30%; or
- b). The applicant's state tax liability a taxable year minus the greater of:
 - i). The taxpayer's state tax liability in the most recent prior taxable year in which the applicant claims a part of the Credit, or
 - ii). The taxpayer's base tax liability, which is the taxpayer's state tax liability in the year preceding the year in which the qualified investment is made.

A taxpayer may carry forward any unused Credit amounts for not more than nine consecutive years after the year in which the qualified investment is made.

Questions and inquiries may be directed to the IDOC Development Finance Office, Terri VanZant, Director, at (317) 232-8827.